

Press Release

Stockholm, 5 March 2003

Alecta 2002:

Satisfactory solvency despite negative total return

- ❑ Collective solvency reserve on December 31, 2002 amounted to SEK 31.7 billion (2001: 60.8). The collective solvency margin was 113 percent (124) and the solvency ratio was 6.8 (13.1). Due to the considerable downturn in stock markets, a number of actions were taken in October to improve the company's solvency. These actions resulted in an immediate increase of approximately SEK 15 billion in solvency reserve and are expected to make an annual contribution of SEK 5 billion.
- ❑ Premium income rose 16 percent to SEK 22.2 billion (19.1). Single premiums rose by 31 percent.
- ❑ A loss of SEK 31.3 billion (loss: 4.4) was reported after tax. The weaker earnings were due mainly to return on capital, which deteriorated by SEK 31.9 billion to a loss of SEK 35.7 billion.
- ❑ The total return on investments was minus 11.0 percent (minus 1.0). The market value of investments on December 31, 2002 was SEK 285.7 billion (334.2), corresponding to a decrease of SEK 48.5 billion during the year. Cash repayments of client company funds totaling SEK 10.0 billion adversely affected the value of assets. Net investments were made in Swedish fixed-income securities, while net divestments were made in other types of assets, particularly foreign shares.
- ❑ As of 2003, the discount on premiums for retirement and family pensions was removed, as were premium reductions on risk policies.
- ❑ Operating expenses for insurance operations amounted to SEK 592 million (549). The expense ratio was 2.7 percent (2.9) and the administrative expense ratio was 0.25 percent (0.21).

Alecta is the largest occupational pension company in the Nordic region with assets under management of approximately SEK 280 bn. The company's core business is the ITP occupational pension, which is based on a collective agreement between the Confederation of Swedish Enterprise and the Federation of Salaried Employees in Industry and Services (PTK). ITP includes retirement pension, disability pension and family pension, which give the insured financial security during and after their working lives. Alecta provides service to 27,000 companies and administers 1,5 million insurance contracts. In recent years, Alecta has developed extensive competence in the field of health, rehabilitation and preventive care.

- Of the provisions for repayments of client company funds of SEK 66 billion that were posted as a result of the surplus solvency that arose during 1994-1998, SEK 11 billion remained for allocation to client companies at the end of December.

President's comments

Alecta shows strength during uncertain times

World stock markets declined in 2002 for the third consecutive year. It is no exaggeration to call 2002 a crisis year for the life insurance industry in Sweden. For 2002 Alecta posted a return of minus 11.0 percent on its total investments, which was slightly weaker than the sector average. This significant loss was due to the sharp drop in world equity values. Equities' proportion of Alecta's total investments was reduced from 43 percent at the beginning of the year to 28 percent at year end. The reduction was a combination of declining share prices and divestments. Although Alecta's negative return for 2002 is not satisfactory it must be viewed as part of the long-term investment horizon that applies within Alecta as well as for the life insurance industry as a whole. Over a longer investment horizon Alecta's returns have been in line with or better than its peers within the life insurance sector.

To ensure Alecta's commitments to the receivers of the ITP pension and their employers, the Board of Directors took aggressive measures during the autumn of last year. These measures included increasing the premiums paid and adjusting the funds reserved for financing future increases in life expectancy. The result was an improvement of 15 billion SEK for 2002 and annual improvements of 5 billion SEK starting in 2003.

Pension supplements and the indexing rate for vested benefits were set at 1.7 percent for 2003, in line with the increase in the Swedish Consumer Price Index.

Alecta's marketing activities focus entirely on improving the service provided to existing client companies. Intensive work is under way to ease their workdays by shortening lead-time, simplifying customer contacts with Alecta and providing simpler and clearer information about Alecta's products and their service content. As a result of these efforts, Alecta currently has processing times and operating expenses that probably no other company in the sector can beat. I expect that Alecta will soon enter a financial position that will enable us to once again offer premium discounts to client companies.

Lars Otterbeck, President

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Alecta Group and Alecta (parent company), Summary Profit and Loss Account and Balance Sheet

Profit and Loss Account SEK m	Alecta Group		Alecta (parent company)	
	2002	2001	2002	2001
Premiums written	22,189	19,146	22,189	19,146
Investment income	-35,743	-3,880	-35,237	-3,302
Claims incurred	-11,022	-9,956	-11,022	-9,956
Change in other technical provisions	-4,078	-13,126	-4,078	-13,126
Operating expenses	-592	-549	-592	-549
Other	-24	-24	-24	-24
Balance on the technical account, Life Insurance Business	-29,270	-8,389	-28,764	-7,811
NON-TECHNICAL ACCOUNT				
Balance on the technical account, Life Insurance Business	-29,270	-8,389	-28,764	-7,811
Other	-28	6,892	-28	6,661
Appropriations (?)			501	
Tax on profit for the year	-2,044	-2,889	-2,359	-2,674
Net loss/profit for the period	-31,342	-4,386	-30,650	-3,824

Balance Sheet SEK m	Alecta Group		Alecta (parent company)	
	2002	2001	2002	2001
Investments	281,616	331,153	281,173	330,226
Other assets	8,958	10,576	8,663	9,521
Total assets	290,574	341,729	289,836	339,747
Untaxed reserves	-	-	-	501
Solvency capital	64,935	120,683	64,223	118,866
Technical provisions	222,905	214,826	222,905	214,826
Other liabilities	2,734	6,220	2,708	5,554
Total equity, provisions and liabilities	290,574	341,729	289,836	339,747

Investment Income

Alecta Group	Market value 31 Dec 2001		Net invest.	Change in value		Market value 31 Dec 2002		Total return %	
	SEK bn	%		SEK bn	%	SEK bn	%	2002	2001
Fixed-income excl direct loans	159.8	47.8%	14.9	4.2	2.7%	178.9	62.6%	8.3%	4.6%
Swedish	114.8	34.4%	20.4	3.4	2.9%	138.6	48.5%	8.3%	4.0%

Alecta Group	Market value 31 Dec 2001		Net invest.	Change in value			Market value 31 Dec 2002		Total return %	
Foreign	45.0	13.4%	-5.5	0.8	2.0%		40.3	14.1%	8.5%	6.4%
Direct loans	2.0	0.6%	-1.0	0.0	-1.4%		1.0	0.4%	6.9%	6.7%
Equities	142.6	42.7%	-10.2	-53.2	-37.5%		79.2	27.7%	-35.6%	-9.8%
Swedish	81.2	24.3%	-0.7	-31.8	-39.1%		48.7	17.0%	-37.0%	-11.6%
Foreign	61.4	18.4%	-9.5	-21.4	-35.5%		30.5	10.7%	-33.7%	-7.5%
Real estate	29.8	8.9%	-2.4	-0.8	-2.8%		26.6	9.3%	4.5%	13.2%
Swedish	12.4	3.7%	-1.5	0.2	2.1%		11.1	3.9%	7.8%	9.6%
Foreign	17.4	5.2%	-0.9	-1.0	-6.2%		15.5	5.4%	2.2%	15.8%
Borrowing for investments	0.0	0.0%	0.0	0.0	0.0%		-0.0	0.0%	-3.7%	-5.7%
Total investments	334.2	100.0%	1.3	-49.8	-15.2%		285.7	100.0%	-11.0%	-1.0%